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# **Allied Contributions to the Common Defense**

## **A Report to the United States Congress by the Secretary of Defense**

[The following are excerpts from a SECDEF report, entitled as above, which was originally prepared in March 1998 and publicly released in July 1998. The excerpts presented herein include the Introduction, Executive Summary (Chapter 1), and Regional Overview and Contributions of Key Allies (Chapter 2). Items of additional interest in the complete report include assessments of country contributions, data notes, country summaries, and a statistical appendix. The full report is available on the internet at [http://www.defenselink.mil/pubs/allied\\_contrib98/index.html](http://www.defenselink.mil/pubs/allied_contrib98/index.html)]

### **Introduction**

This Report presents the Department of Defense assessment of the relative contributions toward common defense and mutual security made by our NATO allies, our key partners in the Pacific (Japan and the Republic of Korea), and the countries of the Gulf Cooperation Council (GCC).

Under legislative provisions dating to the Defense Authorization Act of 1981 (P.L. 96-342, Section 1006), the Department of Defense is required to compare the defense burdens borne by our allies, explain disparities, and describe efforts to eliminate such disparities. In each of the last two years, the annual Defense Authorization Act (P.L. 104-201, Section 1084, and P.L. 105-85, Section 1221) has recognized that there are multiple and diverse ways in which allies may share the responsibility for mutual security objectives. This represents a major step toward embracing the Administration's policy on responsibility sharing, first set forth in the 1994 edition of this Report. We look forward to continuing to work with the Congress in structuring a comprehensive and balanced framework within which to evaluate allied contributions to common defense and mutual security.

This Report is organized into three chapters. The first chapter presents an executive summary, describing the goals of U.S. responsibility sharing policy and providing a brief assessment of country contributions for 1996-1997. Chapter II provides a regional perspective of U.S. security interests and highlights the contributions of our key allies. Chapter III follows with detailed assessments of country efforts. Additional information is provided in the Annex, which contains sources and notes, and summarizes responsibility sharing contributions on a country-by-country basis. . . .

### **Chapter I: Executive Summary**

#### **U.S. Responsibility Sharing Policy**

A National Security Strategy for a New Century (May 1997) identifies a diverse set of threats to U.S. security, including regional or state-centered threats (such as regional aggressors, unstable nations, internal conflicts, or failed states); transnational threats (including terrorism, illegal drugs, illicit arms trafficking, and organized crime); and threats from weapons of mass destruction (from existing arsenals and from the proliferation of advanced technologies).

To meet these challenges, the Administration's national security strategy stresses the need for integrated approaches, specifically to shape the international environment to prevent or deter threats, to maintain the ability to respond across the full spectrum of potential crises, up to and including major theater war, and to prepare now to meet future uncertainties. A central aim of the Administration's strategy to defeat these transnational threats is to strengthen and adapt our

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security relationships with key nations around the world—including sharing collective security responsibilities with allies and other friendly nations. To promote U.S. security objectives tailored to different regions of the globe we require a broad range of security arrangements. Our alliances, particularly our security commitments in NATO, our bilateral relationships with Japan and the Republic of Korea, and our growing partnership with the nations of the Gulf Cooperation Council (GCC), are essential to the projection of American power and influence into areas where vital U.S. interests are at stake. These relationships reflect fundamental shared interests and embody close cooperation in both political and military affairs. They enhance our ability to achieve our international security objectives and protect vital economic interests. Our regional security arrangements enable the United States and our allies to provide the security and stability essential to democracy-building, economic progress, and the orderly resolution of international differences. The cornerstone of effective alliance relationships is the fair and equitable sharing of mutual security responsibilities, and the proper balancing of costs and benefits. This, in turn, is the basis of U.S. responsibility sharing policy. The Administration is pleased that Congress accepts this policy and recognizes the breadth and depth of U.S.-allied relationships. This broader understanding, reflected in the FY 1998 Defense Authorization Act, acknowledges that each country's contribution is a mix of political, military, and economic elements, and that influencing and increasing allied efforts is a long-term endeavor heavily influenced by specific historical and geographical circumstances (including economic realities). The manner in which allies contribute to shared security objectives is also defined by the very different multilateral (NATO) and bilateral (East Asia-Pacific and Southwest Asia) frameworks within which those contributions are made.

### **Summary Assessment**

This section includes an assessment of country contributions under the terms specified in the FY 1998 Defense Authorization Act, as well as a more comprehensive evaluation consistent with previous reports.

### **Assessment Stipulated in the FY 1998 Defense Authorization Act**

The FY 1998 Defense Authorization Act urges U.S. allies to increase their efforts in one or more of the following areas:

- Investment in defense, as represented by defense spending as a percentage of gross domestic product (GDP);
- Contributions to multinational military activities;
- Cost sharing for stationed U.S. forces;
- and Foreign assistance.

Chart I-1 presents an overview assessment of contributions made in each of these categories by our NATO and Pacific allies and our security partners in the Gulf. The assessment is based on the most recent, complete, and reliable data available: through 1997 for defense spending and multinational military activities, through 1996 for cost sharing and foreign assistance. The chart shows that all of the countries addressed in this Report meet at least one of the Congressional responsibility sharing targets listed above, and the majority meet two or more of them. National strengths are clearly evident, as are those areas of concern—such as continued pressure on defense budgets—where more clearly needs to be done.

**NATO Allies.** Like the United States, most of our NATO allies continue to experience real reductions in their defense budgets. European host nation support remains essentially level and

focused on indirect contributions. Many of these nations provide substantial foreign assistance, with the contributions of all NATO allies for which data are available exceeding those of the United States (relative to GDP). Most NATO nations also contribute substantially to and participate extensively in shared military roles, missions, and combined operations within and beyond NATO.

**Chart I-1  
Countries Achieving Congressional Targets\***

	Defense Spending as % GDP (1997)	Multinational Military Activities (1997)	Cost Sharing (1996)	Foreign Assistance (1996)
<b>NATO Allies</b>				
Belgium				✓
Canada		✓		✓
Denmark		✓		✓
France		✓		✓
Germany		✓		✓
Greece	✓	✓		✓
Italy		✓		✓
Luxembourg		✓		✓
Netherlands		✓		✓
Norway		✓		✓
Portugal		✓		✓
Spain		✓		✓
Turkey	✓	✓		✓
United Kingdom		✓		✓
<b>Pacific Allies</b>				
Japan		✓	✓	✓
Republic of Korea				✓
<b>Gulf Cooperation Council</b>				
Bodrian	✓			
Kuwait	✓			✓
Oman	✓			
Qatar	✓			
Saudi Arabia	✓			✓
UAE	✓			

\*Congressional targets are as follows:

1. Increase defense spending share of GDP by 10% over the previous year, or to a level commensurate with the U.S.
2. Increase military assets or other resources contributed to or earmarked for multinational military activities.
3. Increase offsets for U.S. stationing costs to a level of 75% by the year 2000.
4. Increase foreign assistance by 10% over previous year, or to a level commensurate with the U.S.

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**Pacific Allies.** Japan maintains an enviable record of providing host nation support and foreign assistance, although its level of defense spending as a share of GDP remains at just 1 percent due to political constraints. The Republic of Korea also provides host nation support and maintains a substantial investment in defense (over 3 percent of GDP), but in light of its limited per capita GDP makes only very modest contributions to foreign assistance.

**Gulf Cooperation Council (GCC).** Each of the GCC nations has a per capita GDP below the average of all countries addressed in this Report, yet spends an above-average share of GDP on defense, with the shares of Qatar, Saudi Arabia, Oman, and Kuwait in the 10 to 15 percent range. Kuwait's foreign assistance relative to GDP leads all nations in this Report.

**Comprehensive Assessment of Contributions.** The targets embodied in the FY 1998 Defense Authorization Act are a sound basis upon which to assess country efforts, although the Department believes that a thorough evaluation requires a somewhat expanded approach. Because nations' efforts are subject to short-term volatility, and due to large differences in the economies, demographics, and standard of living among the nations included in this Report, year-to-year comparisons of absolute levels of effort can be highly misleading. Thus, the Department has long maintained that—in contrast to the short-term, “pass/fail” perspective of the Congressional targets—assessments should acknowledge trends in country contributions, and be based on a country's ability to contribute.

Moreover, in addition to the four categories identified in the Authorization Act, previous assessments by the Department have also addressed military personnel and standing forces as key measures of a country's contribution to shared security objectives. Finally, although an assessment of U.S. efforts is not specified in the Authorization Act, the Department believes such an assessment should be included in this Report for completeness and balance. This more comprehensive evaluation yields an assessment similar to that resulting from the approach mandated in the FY 1998 Defense Authorization Act. That is, when countries' efforts are analyzed with respect to their ability to contribute, each nation in the Report makes substantial contributions in at least one (and the majority in at least two) of the four Congressional categories. As summarized in Chart I-2, however, several key differences emerge relative to the results in Chart I-1.

**Chart I-2**  
**Countries Making Substantial Contributions**  
**Based on Ability to Cooperate\***

	Defense Spending (1997)	Multinational Military Activities (1997)	Cost Sharing (1996)	Foreign Assistance (1996)
<b>United States</b>	✓		N/A	
<b>NATO Allies</b>				
Belgium		✓		✓
Canada		✓		✓
Denmark		✓		✓
France	✓	✓		✓
Germany				✓
Greece	✓	✓		
Italy		✓		
Luxembourg			✓	✓
Netherlands		✓		✓
Norway		✓		✓
Portugal		✓		
Spain		✓		
Turkey	✓	✓		
United Kingdom		✓		✓
<b>Pacific Allies</b>				
Japan			✓	
Republic of Korea	✓			
<b>Gulf Cooperation Council</b>				
Bahrain	✓	✓		
Kuwait	✓		✓	✓
Oman	✓		✓	
Qatar	✓	✓	✓	
Saudi Arabia	✓			
UAE	✓			

\*Assessments are based on comparing a nation's share of total contribution of all nations addressed in this Report with its share of total ability to contribute (either GDP or labor force). A country's efforts are assessed to be "substantial" when its contribution share exceeds by at least 20 percent its GDP or labor force share.

For example, U.S. defense spending is assessed as follows: U.S. share of total defense spending is 51 percent (contribution); U.S. share of total GDP is 38 percent (ability to contribute). U.S. defense spending is related 'substantial' because its contribution exceeds ability to contribute by 34 percent (51 divided by 38).

**Chart I-2 (Continued)**  
**Countries Making Substantial Contributions**  
**Based on Ability to Contribute**

	Active-Duty Military Personnel (1997)	Ground Combat Capability (1997)	Naval Tonnage (1997)	Tactical Combat Aircraft (1997)
<b>United States</b>			✓	
<b>NATO Allies</b>				
Belgium				✓
Canada				
Denmark				
France	✓			✓
Germany				
Greece	✓	✓	✓	✓
Italy	✓			
Luxembourg				
Netherlands		✓		
Norway	✓	✓		
Portugal	✓		✓	✓
Spain				
Turkey	✓	✓	✓	✓
United Kingdom			✓	
<b>Pacific Allies</b>				
Japan				
Republic of Korea	✓	✓		
<b>Gulf Cooperation Council</b>				
Bahrain	✓	✓	✓	✓
Kuwait	✓	✓		✓
Oman	✓	✓	✓	✓
Qatar	✓	✓		✓
Saudi Arabia	✓	✓		✓
UAE	✓	✓		✓

- Although France and the Republic of Korea fail to meet the Congressional target for defense spending as a share of GDP, these nations - in addition to the countries highlighted in Chart I-1 - merit recognition for contributing a share of defense spending significantly larger than their share of GDP.
- Likewise, while Belgium and Qatar failed to meet the Congressional objective of increasing their contributions in 1997 in the category of multinational military activities, their level of effort is nonetheless substantial in view of their ability to contribute. Conversely, although Germany and Japan did register increases—and thus meet the Congressional target - Japan's share of contributions remains substantially below its share of ability to contribute, and Germany's effort is roughly commensurate with its means.
- Japan is the only nation that meets the Congressional target for cost sharing, yet relative to ability to contribute, Kuwait's bilateral cost sharing contributions to the United States lead all countries in this Report. Qatar, Oman, and Luxembourg also contribute shares of host nation support significantly above their respective share of GDP. (The Republic of Korea is excluded from this list due to measurement problems surrounding estimates of

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ROK's indirect cost sharing contributions for 1996, and is expected to rejoin this ranking once full cost sharing estimates for 1997 are compiled later this spring.)

- Almost every nation in this Report meets the Congressional target for foreign assistance, aided by unavoidable anomalies in year-to-year reporting, or by the relatively low ranking of the United States which is used as a benchmark for evaluating allies. When efforts are assessed based on ability to contribute, however, aid provided by countries such as Saudi Arabia, Italy, and Portugal is average, and is below average in the case of Spain, Japan, Greece, and the Republic of Korea - though each of these countries meet the Congressional target, as shown in Chart I-1.

Finally, the more comprehensive approach assesses nations' performance in the additional areas of military personnel and standing forces (ground, naval, and air). Although not addressed by the FY 1998 Defense Authorization Act, these categories are important to the shared security objectives of deterrence and self-defense, and have been evaluated by the Department in previous reports. Chart I-2 shows that most nations make substantial contributions in relation to their ability to contribute in at least one of these categories. Most notably, Greece, Turkey, Bahrain, and Oman register substantial contributions in all four areas, while Portugal, the Republic of Korea, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates achieve this distinction in three categories. In contrast, six nations (Canada, Denmark, Germany, Luxembourg, Spain, and Japan) fail to contribute substantially more than their relative share of GDP or labor force in any of these areas.

## **Conclusion**

As stated in previous reports on this topic, the Department believes country efforts present a mixed but generally positive picture in terms of shouldering responsibility for shared security objectives. The United States continues to maintain a close and systematic dialogue with allied governments at all levels concerning responsibility sharing strengths and weaknesses, and this in turn has contributed to an increased awareness of our concerns in allied capitals. We will persist in engaging allies in this manner, focusing on the need for increased attention to defense budgets and host nation support, and further strengthening of foreign assistance and participation in both bilateral and multilateral efforts to enhance our collective security. This is an evolutionary effort, and we will continue to press for progress across the board. Finally, the Department continues to urge - in the interests of achieving a balanced assessment of nations' efforts - that short-term pass/fail objectives be supplemented with a review of longer-term trends based on countries' ability to contribute.

## **Chapter II: Regional Overview and Contributions of Key allies**

This chapter places the Administration's responsibility sharing policy in strategic perspective, and describes differences in U.S. security objectives, mutual security arrangements, and forward presence in the three regions most important to vital U.S. security interests: Europe, East Asia-Pacific, and Southwest Asia.

### **NATO Allies**

Responsibility sharing in Europe cannot be understood without reference to NATO, the most successful security alliance in history. It is through and in connection with this unique enterprise that our transatlantic security partnership is given form and content, and allied responsibilities are defined, allocated, and shared.

NATO has guaranteed transatlantic peace and security for 50 years. It has played a pivotal role in terminating the Cold War on terms favorable to the United States and our allies, ensuring

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security in the Mediterranean, and projecting Western power and influence into the Middle East and North Africa. The Alliance has also served as a useful forum for coordinating policies with respect to other parts of the world. Today, NATO remains a unique instrument for guiding change, deterring and managing crises, and applying military force where necessary.

The Alliance continues to serve as an irreplaceable mechanism for the exercise of U.S. leadership in international security affairs, and for the projection of American power and influence across the Atlantic and beyond. NATO provides the single most important vehicle for the coordination of national security policies and actions, both within and outside of Europe. An integrated political and military organization, the Alliance is the forum where the member states work out arrangements for shouldering political and military risks and economic costs, and for assigning and coordinating military roles and responsibilities.

Unique habits of cooperation have evolved in NATO over the past half-century. Thus, although our European allies do not offset the same percentage of U.S. stationing costs as do Japan and the Republic of Korea, they contribute significantly more toward sharing the military roles, as well as the overall political and economic costs, of protecting shared interests.

NATO's common-funded budgets have long been unique instruments for achieving defense objectives while reducing each country's costs through economies of scale and the development of joint projects. Common funding is among the oldest and most effective means of achieving U.S. responsibility sharing objectives. The United States, in view of its global commitments, participates in NATO's common-funded projects at a "discount"—i.e., the U.S. cost share (roughly 25 percent) is proportionately smaller than its share of NATO's collective GDP (nearly 50 percent). The common-funded budgets are a dramatic example, at the level of finances and resources, of the multiplier effect provided by NATO membership, which allows us to achieve cost-saving, coordinated actions among the member states.

The successful defense of our international security interests depends fundamentally on effective American leadership of NATO. The presence of significant numbers of U.S. forces in Europe underpins that leadership and the military effectiveness of the Alliance. Forward basing strengthens peace and stability within the region and provides a platform for the projection of power and influence beyond Europe that is more immediate, credible, and cost-effective than basing in the continental United States.

The vast majority of the approximately 100,000 U.S. forces based in Europe are stationed in three countries: 49,000 in Germany, and approximately 12,000 each in Italy and the United Kingdom. In addition, France is a principal European ally, and spends more on defense than any other nation in Europe (\$42 billion in 1997). These four countries have for many years shouldered a broad range of political, military, and financial responsibilities vital to the achievement of shared security objectives, by working in concert with the United States diplomatically: hosting U.S. nuclear and conventional forces; maintaining substantial, modern armed forces of their own; participating in combined operations within Europe and beyond in support of defense and deterrence; and extending significant foreign assistance to promote peace and security. The following sections highlight notable contributions of these key NATO allies.

### **Germany**

Germany's geographical location, economic strength, military capabilities and political influence make it a vital European ally. With one of the largest of NATO's armed forces in Europe (over 330,000), German military forces are modern, well-equipped, trained, and led, and are a major component of Alliance military capabilities.

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Reflecting growing readiness to participate in crisis management and peacekeeping operations, Germany is increasingly involved in providing forces for multilateral military missions. In 1997, Germany contributed troops to both NATO and UN missions in the former Yugoslavia, Africa, and Asia. Beginning in January 1997, Germany has taken the unprecedented step of deploying a contingent of 3,000 combat troops in the former Yugoslavia as part of SFOR. Germany's military presence in the former Yugoslavia represents a change in Bonn's approach to crisis management and a welcome strengthening of our political-security partnership. In addition to its financial contributions to UN missions, Germany actively *participates* in peacekeeping operations in the former Yugoslavia, on the Iraq-Kuwait border, and in Georgia.

German defense spending in 1997 was 1.6 percent of GDP, down from a level of 2.8 percent in 1990. Pressure on the German defense budget remains strong, particularly in view of the country's difficult economic situation, European Monetary Union imperatives, continuing financial investments in eastern Germany, and assistance to former Soviet bloc countries.

We are concerned about current and projected German defense budget trends, and are urging the German government to give close attention to this matter.

Financially, Germany continues to play a unique role in supporting the successful democratization of Central and Eastern Europe, advancing security and stability as a result. In 1997, Bonn completed payments of almost \$11 billion to facilitate the withdrawal and redeployment of Russian forces from eastern Germany. German government technical assistance also enabled the massive drawdown of U.S. military forces from Germany.

From 1990 to 1996, Germany disbursed over \$65 billion in bilateral assistance (nearly 60 percent of the total contributed by all nations) to Central and East European countries and the Newly Independent States of the former Soviet Union. Germany has also provided billions in aid to the former Yugoslavia (\$355 million in 1996 alone). Furthermore, during 1997, Germany contributed nearly \$10 million to aid nuclear and chemical weapons dismantlement in the former Soviet Union, \$3.9 million to the Korean Energy Development Organization (KEDO), and \$14 million for de-mining operations worldwide.

Typical of NATO allies generally, Germany contributes more to achieving shared interests in the areas of military roles and missions, political cooperation, and economic assistance than in cost sharing for forward deployed U.S. forces. Nevertheless, German cost sharing was estimated at approximately \$1.3 billion in 1996, almost all of which was in the form of indirect contributions. The German government now absorbs all landing fees for U.S. military aircraft, which—according to German estimates—saved the United States some \$18 million. Germany has also expanded host nation support for U.S. bases from which American soldiers have been deployed to Bosnia. This included additional police coverage in housing areas, social services for families, and security and logistical support for deploying forces.

### **United Kingdom**

The United Kingdom remains one of our closest and most important allies, working in concert with the United States across a broad range of political and military issues both within NATO and bilaterally. A nuclear state with significant power projection capabilities, the United Kingdom brings to our security relationship not just a regional but also a global orientation. British forces are deployed to some 30 locations outside the United Kingdom. The British defense budget has declined, but defense spending as a share of GDP (2.8 percent in 1997) has remained more robust than most and among the highest in NATO. The United Kingdom provides substantial host nation support for stationed U.S. forces, almost entirely in the form of indirect contributions. British forces constitute the backbone of the Allied Command Europe

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(ACE) Rapid Reaction Corps (ARRC), and play a significant both in NATO military missions as well as in peacekeeping operations under the auspices of the United Nations.

In 1997 the British SFOR contingent numbered some 5,000 ground troops, second in size only to the United States contribution. In December 1996, British aircraft and ships were transferred from NATO operations "Sharp Guard" and "Deny Flight" to operation "Deliberate Guard." Additionally, British forces participate in coalition operations in Southwest Asia, including the enforcement of no-fly zones over northern and southern Iraq, and are also involved in UN-mandated operations in Cyprus, on the Iraq-Kuwait border, and in Georgia.

The United Kingdom provides bilateral assistance for humanitarian efforts and reconstruction projects in the former Yugoslavia (totaling \$70 million in 1996), as well as its share of the European Union aid commitment. The United Kingdom was the first European country to support KEDO, with a \$1 million contribution in 1995, and was among the leaders of the successful effort to secure an EU contribution to KEDO. Under a new agreement between the EU and KEDO, the United Kingdom has agreed to pay an additional \$3.26 million over a five-year period to KEDO. The United Kingdom provided nearly \$3.8 billion in foreign assistance in 1996, a level nearly double that of the United States in terms of ability to contribute.

### Italy

Italy contributes actively to our security partnership, both through NATO and bilaterally. Italy is a major staging and logistics base for operations in and beyond the immediate region. Relative to Europe's central region, Italy has always possessed the military advantage of strategic depth, while at the same time providing a key front-line presence in the Mediterranean region. Italy hosts U.S. forces and contributes significantly to U.S. power projection capability into and throughout the region. NATO air bases in Italy, for example, have provided essential staging and transportation points for SFOR operations in Bosnia.

Italian defense spending relative to GDP was just under 2 percent in 1997. This represented only a marginal decrease in this ratio from 1996, and the 10 percent decline in this figure between 1990-1997 is among the lowest in NATO. Italy's host nation support for U.S. forces during 1996 was estimated at more than \$500 million, consisting almost entirely of indirect contributions.

In addition to its NATO missions—including its commitment of 1,700 military personnel to SFOR—during 1997 Italy also participated in UN operations in Jerusalem, Bosnia and Herzegovina, Croatia, Lebanon, on the Iraq-Kuwait border, in the Western Sahara, Albania, Cyprus, and on the India-Pakistan border. Furthermore, Italy played a major role in the stabilization of Albania in 1997, leading and contributing 3,000 troops to a Multinational Protection Force under UN and OSCE auspices to ensure freedom of movement for humanitarian operations in that troubled country.

Italy contributed \$45 million in 1996 for emergency humanitarian and reconstruction assistance to the former Yugoslavia. Italy's total foreign assistance in 1996 was \$2.5 billion, an increase of 29 percent from 1995 levels. In July 1995, Italy pledged to donate \$2.2 million to KEDO over the course of three years.

Finally, Italy took significant steps in 1997 to promote cooperative security relationships throughout Europe, forming a joint amphibious brigade with the Spanish and a joint maneuver brigade with Slovenia and Hungary. Italy also signed defense cooperation accords with the Czech Republic, Slovenia, Poland, Macedonia, Georgia, Romania, and Slovakia, covering a range of training activities, provision of excess defense articles, and joint military exercises.

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## France

France carries an important share of the burden of defending Western interests, and maintains substantial defense spending levels. French defense spending relative to GDP was just under 3 percent in 1997, a modest decrease from 1996. Since 1990 this figure has dropped 16 percent, roughly half the rate of decrease for NATO as a whole. Despite its often ambiguous relationship to the NATO alliance, France retains considerable nuclear and conventional military power and thus contributes substantially to the Alliance's deterrent posture.

France makes noteworthy international peacekeeping efforts, and has committed 2,500 troops to SFOR missions - the fourth largest after the United States, the United Kingdom, and Germany. In addition to its NATO missions, during 1997 France participated in UN missions in Jerusalem, Bosnia and Herzegovina, Croatia, Lebanon, the Iraq-Kuwait border, the Western Sahara, Angola, Georgia, and Haiti.

French Reaction Forces outnumber those of any other nation addressed in this Report with a total contribution of four combat divisions, integral combat support and combat service support groups, and nearly 56,000 troops.

In 1996, France contributed over \$7 billion in foreign assistance, third largest of all Allies in this Report, behind Japan and Germany.

## Pacific Allies

Our key security relationships in Asia are with Japan and the Republic of Korea. As is the case with NATO in Europe, these alliances grew out of the experience of World War II and the early years of the Cold War. Like NATO, these two bilateral relationships were instrumental in helping to manage Cold War realities and are now adapting not just to a fundamentally altered global geopolitical situation, but to emerging challenges and opportunities in the region.

At the heart of both alliances is the continued presence of significant numbers of U.S. troops: 43,000 in Japan and over 36,000 in Korea. These forces play a vital role in contributing to peace and security in the region, and are a tangible expression of vital American interests in Asia, and of U.S. will and capability to defend those interests in concert with our allies.

In view of the constraints that influence the policies and capabilities of both countries—in Korea the division of the peninsula and the threat of conflict, and in Japan the complex legacy of World War II—their responsibility sharing has focused more on assuming a substantial share of U.S. stationing costs and less on other aspects, such as active participation in shared regional and global military roles and missions.

In late 1995, the United States concluded new multi-year cost-sharing agreements with both countries. These accords build effectively on past arrangements and provide for significant and increasing host country participation in cost sharing. This welcome contribution is critical not only to maintaining the military readiness of our deployed forces, but also for sustaining the political support that is essential to forward stationing, and thus to our ability to project U.S. power and influence in defense of shared interests.

## Japan

Our bilateral alliance with Japan is fundamental to both our security policy in the region and our global strategic objectives. Countries throughout the region view the alliance as a major element of stability and security. Japan is expanding cooperation with the United States and is taking an increasingly active role in international security affairs. Although Japan spends less on

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defense as a share of GDP than any other major ally (1 percent), because of the size of its economy. Japan ranks third in defense expenditures among the countries in this Report.

Cost sharing in support of stationed U.S. forces remains Japan's most significant responsibility sharing contribution. Its host nation support is the most generous of any U.S. ally. In 1996, Japan's cost sharing in support of U.S. forces amounted to approximately \$4.6 billion or about 78 percent of total U.S. basing costs.

In 1995, we concluded a new five-year (1996-2001) Special Measures Agreement (SMA) with Japan. Under the terms of the SMA, Japan pays virtually all of the costs of local national labor employed by U.S. forces and public utilities on U.S. bases, along with the costs of transferring U.S. training activities from U.S. bases to other facilities in Japan when Japan requests such transfers. In 1996 Japan provided about \$1.0 billion under the SMA.

Under the Facilities Improvement Program (FIP), Japan provides substantial funding for quality-of-life projects. These projects include bachelor and family housing, community support and recreation facilities, and utilities upgrades. In recent years Japan has also shown increased flexibility under the FIP in constructing direct operational facilities, such as hangars and hardened aircraft shelters. In 1996 Japan provided approximately \$1.1 billion for construction, restoration, and maintenance of facilities. In addition, in 1996 Japan also provided roughly \$800 million in rents and around \$700 million for vicinity improvements.

We estimate that under the new SMA, the value of Japan's direct cost sharing (including cash payments and in-kind contributions) will approximate \$1.7 billion per year through 2001, or \$8.5 billion over the life of the agreement. Over these same five years, Japan's combined direct and indirect cost sharing (i.e., including foregone taxes, rents, and revenues) will be approximately \$5 billion per year—for a total of \$25 billion.

Beyond its cost sharing contribution, Japan's evolving international role means greater involvement in multinational efforts to promote regional and global stability. The Japanese actively support crisis management and nation-building efforts around the world. Japan has the second largest foreign assistance budget of any nation in this Report and is the second largest contributor to UNHCR, UNICEF, and other international humanitarian agencies. Additionally, Japanese peacekeepers have been serving in the Golan Heights. To date, Tokyo has also contributed \$31.7 million to KEDO in support of our mutual nuclear nonproliferation efforts on the Korean Peninsula.

On April 17, 1996, President Clinton and Prime Minister Hashimoto signed a bilateral security declaration which reaffirmed both countries' continuing commitment to our defense partnership. In September 1997, the two countries adopted the new Guidelines for U.S.-Japan Defense Cooperation. When implemented, the Guidelines will provide greater Japanese support for U.S. operations in a regional contingency.

### **The Republic of Korea**

Our security relationship with the Republic of Korea remains central to the stability of the Korean Peninsula and Northeast Asia. U.S. forces stationed in the ROK contribute significantly to the security and territorial integrity of the country, and are a tangible manifestation of U.S. support for peaceful change and democratic evolution in the region.

In November 1995, the United States concluded the first multi-year Special Measures Agreement (SMA) with the Republic of Korea, covering the period 1996-1998. Under the SMA, the Koreans agreed to increase their direct cost sharing contribution, which stood at \$300 million for 1995, by 10 percent each year, to approximately \$400 million in 1998. Over the life of the

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agreement, this direct support will exceed \$1 billion. Moreover, the cash component of this contribution, which in 1996 made up two-thirds of the total, will increase to three-fourths of the total in 1998, with a corresponding decrease of the in-kind component.

A serious Asian financial market crisis in late 1997 has taken its toll on the Korean economy, and has halved the value of the Korean won relative to the dollar. Because of the SMA's provision to conduct transactions in U.S. dollars, this crisis could have had potentially major cost-sharing ramifications for 1998. In order to preserve the value of the SMA while taking into account the impact of the financial crisis on the value of the won, Secretary Cohen has assured the ROK leadership that we would not profit from this situation. Consequently, we are exploring ways to retain the value, or purchasing power, of the SMA to take into account new exchange rate realities and maintain the ROK's cost-sharing obligations at the level intended by the SMA. This process of adjusting the SMA is now underway.

Not related to the financial crisis, in an effort to validate ROK's methodology in calculating their indirect cost sharing contribution, U.S. Forces Korea has conducted a valuation estimate and analysis of foregone land rents, based on recommendations made during the 1997 SMA Implementation Review in Seoul. This survey estimated foregone rent to the ROK for U.S. controlled exclusive-use land. Based on the results of this survey, as of this writing we estimate that ROK's indirect cost sharing for 1997 amounted to approximately \$277 million.

Apart from cost sharing, the ROK makes major contributions to regional security by maintaining strong, modern armed forces. In 1997 the Republic of Korea devoted 3.2 percent of its GDP to defense. ROK annual defense spending has grown by 33 percent since 1990, compared to a decline of 20 percent for all other Pacific and NATO allies combined, and a reduction of 27 percent for the United States over this period.

Because of the security situation on the Korean Peninsula, Seoul's defense effort continues to focus on the maintenance and improvement of military readiness. As such, the ROK does not participate extensively in military roles and missions, including combined operations, elsewhere in the region and beyond. Furthermore, economic constraints limit the ROK's ability to make large contributions to foreign assistance. In 1996 and 1997, however, Seoul contributed approximately \$12 million to KEDO and provided an additional loan of \$45 million in support of shared nuclear nonproliferation goals under the U.S.-North Korea Agreed Framework. Moreover, the ROK has committed to play the central role in funding the cost of the light water reactors to be constructed in North Korea.

### **Gulf Cooperation Council**

The U.S. security strategy in Southwest Asia remains one of engagement, forward presence, and rapid response. We seek to sustain and adapt security partnerships with key states throughout this critical region, broaden the economic and cultural underpinnings of these relationships, and promote peaceful settlement of regional disputes before they erupt into conflicts that could threaten our interests. Acting alone, neither the United States nor its partners in the region can ensure the security of Southwest Asia. Collective efforts are essential.

The security framework in which we operate in Southwest Asia is strikingly different from those in other regions of vital interest to the United States. Here we have no formal bilateral or multilateral defense treaties, but instead rely on a range of executive agreements for military access, prepositioning, status of forces, and security assistance.

Our principal security partners in this region are the member states of the Gulf Cooperation Council (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. These nations carry a substantial proportion of the defense load—each having a lower (and in

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some cases, substantially lower) per capita GDP than the average of all nations addressed in this Report, yet spending more (to substantially more) of their GDP on defense than the average. As a result, the contributions of the GCC states to military personnel and standing forces far exceed their share of total GDP of all countries included in this Report. In spite of these laudable efforts, there remains a substantial disparity between the military forces of the GCC states and those of their principal antagonists in the region.

Due to this imbalance, the United States continues to urge the Gulf countries to work closely with other moderate Arab states to enhance their collective ability to defend the region. The first step in this direction was taken immediately following the Gulf War, when the six GCC members plus Egypt and Syria (the so-called "GCC+2") pledged to enhance their common defense capabilities in the 1991 Damascus Declaration.

Our GCC partners also contribute to regional security by providing U.S. forces the use of military facilities, transit rights, and other forms of access. Bahrain, for example, has provided port facilities for U.S. naval forces for nearly 50 years; it also hosts the headquarters for U.S. Naval Forces Central Command, furnishes facilities for prepositioned equipment, and has granted rapid access for U.S. military aircraft when needed. Oman has also permitted the United States to preposition equipment on its territory, and has granted emergency access to its military bases since 1980. Since the Gulf War, defense cooperation agreements permitting access and prepositioning have been signed with Kuwait, Bahrain, Qatar, and the United Arab Emirates. Under the agreement with Kuwait, that nation has agreed to offset U.S. prepositioning and exercise costs. Saudi Arabia also provides access to U.S. forces and has made substantial contributions to offset the cost of U.S. military operations in the region enforcing UN sanctions on Iraq. Furthermore, during 1996-1997 Bahrain and Qatar have hosted an Air Expeditionary Force for two-month rotations in support of Operation Southern Watch.